



Green and Sustainable Central Banking at the Bank of Finland

The Finnish Finance Nature Summit
Helsinki, 20 November 2023

Acting Governor Marja Nykänen
Bank of Finland

THE BANK OF FINLAND FOSTERS ECONOMIC STABILITY



SKILLED EXPERTS:

Competence development, wellbeing at work, equal treatment



PRINCIPLES GUIDING OUR ACTIVITIES

Values, ethical rules, good governance, transparency



SUSTAINABLE GROWTH AND WELLBEING

We maintain price stability
We ensure financial stability
We promote secure and inclusive payment systems
We support the EU's economic policies and objectives of sustainable development



INFLUENTIAL INFORMATION AND COOPERATION

We provide facts and research data for decision-making
We participate actively in dialogue and provide information equally
We are a member of the scientific community
We promote financial literacy in Finland



MANAGEMENT OF CLIMATE RISKS

We invest responsibly
We operate in an efficient, economical and environmentally sustainable manner
We recognise climate risks in the monitoring of financial stability
We reduce the environmental impact of cash and currency supply

8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



17 PARTNERSHIPS FOR THE GOALS



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



17 PARTNERSHIPS FOR THE GOALS



8 DECENT WORK AND ECONOMIC GROWTH



13 CLIMATE ACTION



Providing data, policy analysis and research

Assessing transition risks in banks' corporate loan portfolios

24 Jan 2023 – Analysis – Financial stability – Anu Karhu, Antti Hirvonen, Ville Tolkki

Increased flood risks caused by climate change will also affect banks

22 Jan 2021 – Analysis – Financial stability , Sustainable economy – Otso Manninen, Nea Tiililä, Adam Saada, Karlo Kauko

Climate change must be fought – what does PACTA say about the transition risks for banks?

19 Jul 2023 – Analysis – Financial stability , Sustainable economy – Tatu Räsänen, Karlo Kauko

The IMF is going to significantly step up its climate work

15 Mar 2022 – Analysis – International economy , Sustainable economy – Nea Tiililä, Kristiina Karjanlahti

The IMF's new comprehensive Climate Strategy is a clear signal that the IMF intends to meet the challenge of climate change. The new Climate Strategy emphasizes the significant impacts that climate risks, climate policy actions as well as adaptation and transition needs will have on macroeconomic stability and envisions integrating climate change into most surveillance and capacity development activities.

Korkea velkaantuneisuus ja globaalit kriisit hankaloittavat Afrikan maiden ilmastopoliittikkaa

6.6.2022 – Blogi – Kansainvälinen talous , Kestävä talous – Nea Tiililä

Luontokato uhkana rahoitusmarkkinoiden vakaudelle

3.11.2022 – Analyysi – Rahoitusvakaus , Kestävä talous – Vilppu Kaartinen

Ilmastönäkökulmien huomioiminen eurojärjestelmän rahapoliittisissa yritysainaostoissa

8.12.2022 – Blogi – Rahapolitiikka , Kestävä talous – Vesa-Ville Virtanen

International recommendations help in identifying investment risks and opportunities related to climate change

18 Feb 2021 – Blog – Sustainable economy – Anna Hyrske

Ilmastönmuutoksesta kärsitään ja sitä torjutaan – mutta kuinka käy pankkien korkokatteelle?

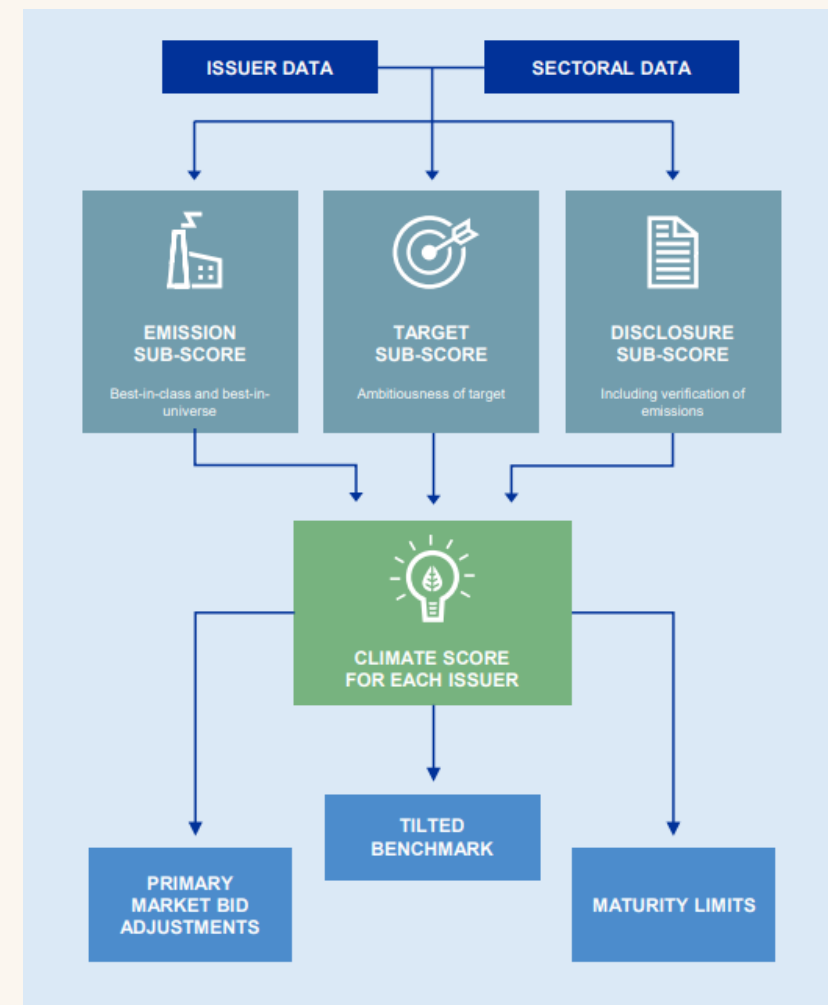
13.9.2023 – Analyysi – Rahoitusvakaus , Kestävä talous – Karlo Kauko

Työ rahapolitiikan vihertämiseksi etenee – ilmatoriskit huomioidaan jatkossa myös vakuuskehikossa

27.1.2023 – Blogi – Rahapolitiikka , Kestävä talous – Katri Järvinen

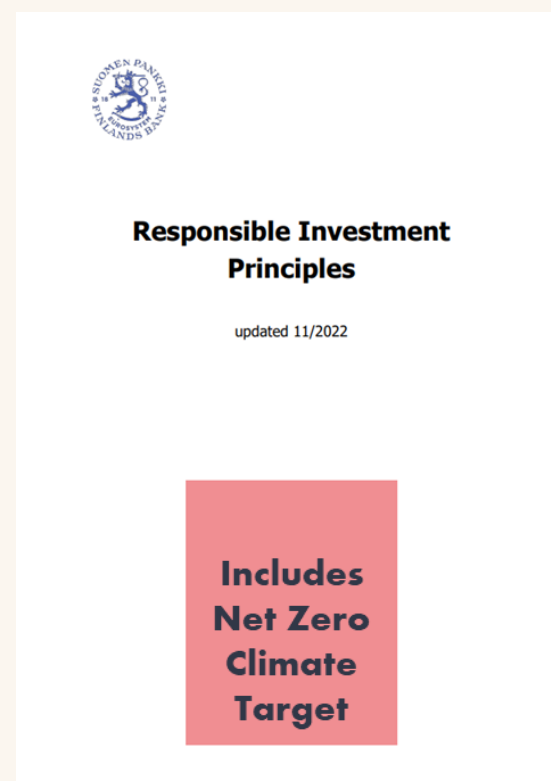
Greening of monetary policy implementation

- Corporate bonds purchased since 2016 for monetary policy asset purchase programmes
- Due to rising inflation, net purchases are currently on hold
- Climate score is used to tilt corporate bond purchases towards issuers with a better climate performance
- Climate score dependent on emissions, target setting and disclosures

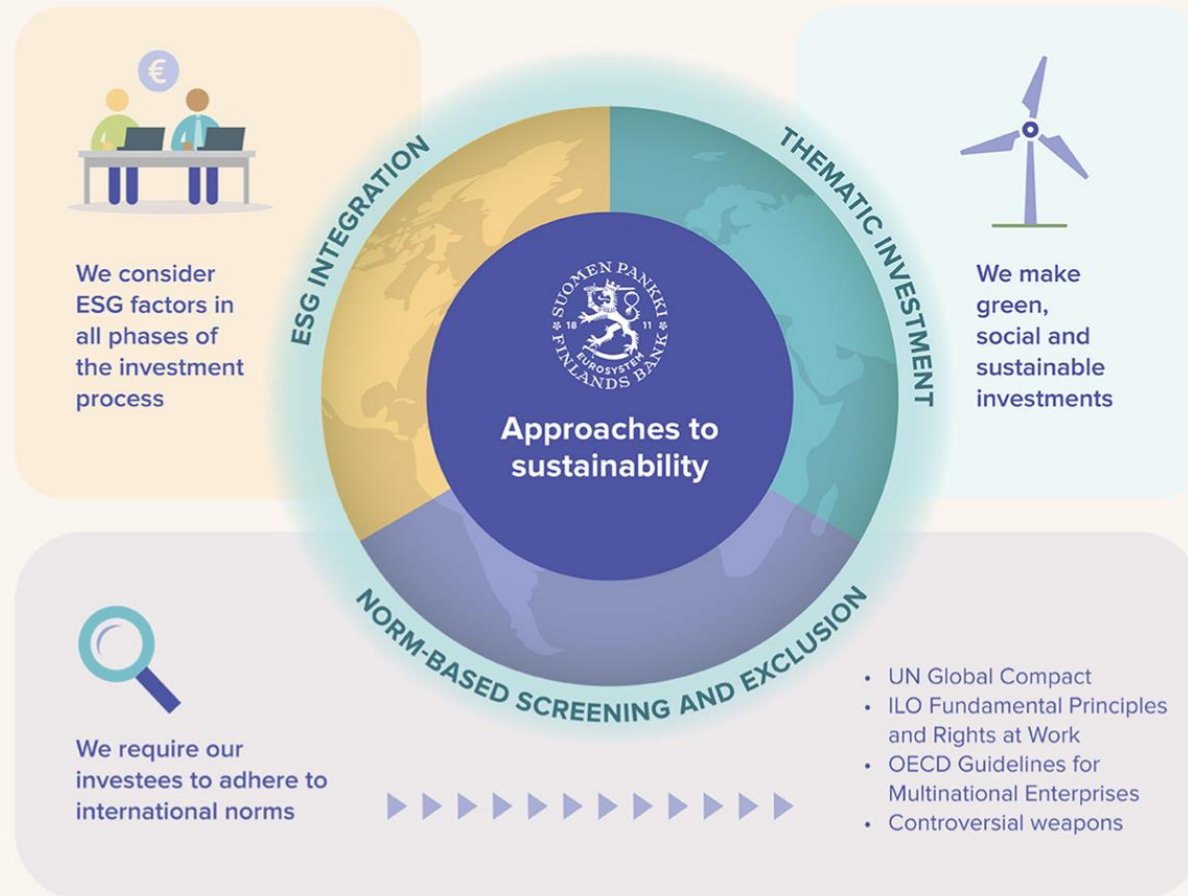


Bank of Finland's investments by asset class

	2023-06-30 EUR million
Gold	2 764
Foreign reserves	6 740
SDR	913
Fixed income, denominated in USD	4 477
Fixed income, denominated in GBP	733
Fixed income, denominated in JPY	616
Fixed income, denominated in EUR	0
Long-term investments	3 713
Long-term fixed-income	509
Equity investments	1 502
Real estate investments	153
Cash	1 550
Total	13 217
Fixed-income investment portfolios ¹	2023-06-30 (%)
Government debt instruments and central bank deposits	57,1
Government-related debt instruments	28,1
Covered bonds	3,7
Corporate bonds	10,7
Cash holdings	0,4
Total	100



Main responsible investment approaches



First set of intermediate climate targets

- Government bonds
 - Qualitative target to encourage national target setting
 - Activities include speeches, articles and presentations
- Government-related entities
 - Qualitative target to encourage target setting in own investment activities
 - Started meetings with issuers during 2022
- Equities
 - Quantitative target of reducing WACI (weighted average carbon intensity) by 50% by end of 2025 (baseline Q1 2021)
 - Progress: -29% end of 2022
- Corporate bonds
 - Quantitative target to limit fossil fuel exposure; revenue thresholds on gas/oil/coal energy/thermal coal and unconventional oil/gas
 - Implemented fully during 2022
- External fund managers (in addition to possible asset class specific targets)
 - Ambitious climate target setting and/or the product to be invested in needs to have a clear and measurable positive climate impact (e.g. Green Bond fund)
 - Implemented

Summary

- Central banks have their role to play in decarbonisation
 - Primary mandate is price stability; climate change affects this
 - Provision of data and research to support decision-making
 - Central banks are in many cases significant investors with significant climate impacts.
- Not separate entities but linked to the societies they operate in.



A blue-tinted photograph of a classical building facade. The building features multiple stories with arched windows and decorative architectural elements. In the foreground, there are ornate street lamps and a stone pedestal. The overall scene is captured in a monochromatic blue color scheme.

Thank you

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